Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 06 JUL 2006

Message Text

UNCLASSIFIED

PAGE 01 COPENH 01655 120830Z

12
ACTION EUR-12

INFO OCT-01 IO-10 ISO-00 AID-05 CIAE-00 COME-00 EB-07

FRB-01 INR-07 NSAE-00 USIA-15 TRSE-00 XMB-04 OPIC-06

SP-02 CIEP-02 LAB-04 SIL-01 OMB-01 NSC-05 SS-15

STR-04 CEA-01 /103 W
---------- 012527
R 111540Z JUN 75
FM AMEMBASSY COPENHAGEN
TO SECSTATE WASHDC 1021
INFO AMEMBASSY BONN
AMEMBASSY BRUSSELS
USMISSION EC BRUSSELS
AMEMBASSY DUBLIN
USMISSION MTN GENEVA
AMEMBASY THE HAGUE
AMEMBASSY LONDON
AMEMBASSY LUXEMBOURG
AMEMBASSY PARIS
USMISSION OECD PARIS
AMEMBASSY ROME
USMISSION NATO

UNCLAS COPENHAGEN 1655

E.O. 11652: N/A
TAGS: EGEN, DA
SUBJECT: NATIONAL INCOME ACCOUNTS 1974

SUMMARY. RECESSION IN THE SECOND HALF OF 1974 REDUCED DENMARK'S OVERALL GROWTH RATE THAT YEAR TO 1.6 PERCENT FROM 3.8 PERCENT IN 1973. WHILE THE ECONOMY WAS BURDENED BY AN OVERALL COST INCREASE CLOSE TO 17 PERCENT, THE RISE WAS TO A LARGE EXTENT IMPORT-INDUCED; THE DOMESTIC RATE OF INFLATION (GNP DEFLATOR) FELL TO 10 PERCENT FROM 12 PERCENT THE PRECEDING YEAR. WITH PUBLIC SPENDING THE ONLY EXPANSIVE FACTOR, AGGREGATE DOMESTIC DEMAND DROPPED 3 PERCENT AND THE EXTERNAL TRADE DEFICIT, IN
UNCLASSIFIED

UNCLASSIFIED

PAGE 02 COPENH 01655 120830Z

VOLUME TERMS, WAS MORE THAN HALVED. THE IMPACT OF NEGATIVE

Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 06 JUL 2006

Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 06 JUL 2006

TERMS OF TRADE, HOWEVER, BROUGHT THE PAYMENTS DEFICIT UP 75 PERCENT IN CURRENT PRICES. END SUMMARY.

1. ACCORDING TO PRELIMINARY OFFICIAL STATISTICS RELEASED MAY 29, DENMARK'S GROSS NATION PRODUCT IN 1974 REACHED $30.7 BILLION, OR $6,089 PER CAPITA. WHILE NOMINALLY A 12 PERCENT INCREASE OVER 1973, IN REAL TERMS THIS FIGURE REFLECTED ONLY 1.6 PERCENT OR LESS THAN HALF THE PRECEDING YEAR'S RATE OF 3.8 PERCENT.

2. AT THE TIME, THE DOMESTIC RATE OF INFLATION, AS EXPRESSED BY THE GNP DEFLATOR, DROPPED FROM 12 TO 10 PERCENT BUT, WITH THE HEAVY IMPACT OF IMPORT PRICE RISES, THE COST RISE IN THE ECONOMY OVERALL APPROACHED 17 PERCENT.

3. THE LIMITED GROWTH RATE HELPED IMPROVE THE TRADE BALANCE, AS AGGREGATE DOMESTIC DEMAND DROPPED 3 PERCENT. IN VOLUME TERMS, THE EXTERNAL TRADE DEFICIT WAS MORE THAN HALVED BUT, DUE TO THE NEGATIVE DEVELOPMENT IN TERMS OF TRADE, THE CURRENT PAYMENTS DEFICIT ROSE 75 PERCENT.

4. DOMESTICALLY, PUBLIC SPENDING PROVIDED THE ONLY STIMULUS WITH A LIMITED EXPANSION AT THE RATE OF 2.6 PERCENT. PRIVATE CONSUMPTION DROPPED 3.5 PERCENT AND INVESTMENT OVERALL 4.8 PERCENT.

5. ONLY THE HEAVY INVENTORY BUILD-UP IN 1974 KEPT OVERALL INVESTMENT FROM DROPPING FUTHER. FIXED INVESTMENT ACTUALLY DECLINED 13 PERCENT, INCLUDING A 26 PERCENT DROP IN HOME-BUILDING, AN 11 PERCENT DROP IN PUBLIC CONSTRUCTION, AND A 4 PERCENT DECLINE IN BUSINESS INVESTMENT.

6. THE FIGURES NOW RELEASED SHOW A STRONGER REDUCTION IN DOMESTIC DEMAND THAN INDICATED BY PREVIOUS OFFICIAL ESTIMATES. ONLY THE FACT THAT DEMAND WEAKENING WAS REFLECTED SO STRONGLY IN REDUCED IMPORTS PREVENTED A NEGATIVE GROWTH RATE OF THE ECONOMY IN 1974. CONSIDERING THAT THE RECESSION WAS CONCENTRATED LARGELY IN THE SECOND HALF OF THAT YEAR AND THAT A FURTHER DECLINE IN ACTIVITY IS REGISTERED THUS FAR IN 1975, IT WOULD REQUIRE A VERY SHARP UPTURN OF THE ECONOMY IN THE UNCLASSIFIED

SECOND HALF OF THE YEAR TO PROVIDE EVEN A MODEST EXPANSION ON A YEAR TO YEAR BASIS. SUCH UPTURN IS NOT AT PRESENT INDICATED AND NOT EXPECTED BY OFFICIAL DANISH FORECASTERS, SUCH AS THE COUNCIL OF ECONOMIC ADVISERS AND THE DANISH NATIONAL BANK. GENERALLY, IT IS EXPECTED THAT THE UPTURN WILL NOT OCCUR UNTIL EARLY 1976.
CROWE

Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 06 JUL 2006

Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 06 JUL 2006

UNCLASSIFIED

NNN

Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 06 JUL 2006

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: ECONOMIC CONDITIONS, INFLATION, GNP, ECONOMIC DATA
Control Number: n/a
Copy: SINGLE
Draft Date: 11 JUN 1975
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Authority: n/a
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01 JAN 1960
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975COPENH01655
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D750204-1085
From: COPENHAGEN
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t19750658/aaaacalu.tel
Line Count: 114
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EUR
Original Classification: UNCLASSIFIED
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: n/a
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: greeneet
Review Comment: n/a
Review Content Flags:
Review Date: 27 FEB 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <27 FEB 2003 by PhilliR0>; APPROVED <10 FEB 2004 by greeneet>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
06 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: NATIONAL INCOME ACCOUNTS 1974 SUMMARY. RECESSION IN THE SECOND HALF OF 1974 REDUCED DENMARK'S
TAGS: EGEN, DA
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 06 JUL 2006